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OO RUEHCHI RUEHDT RUEHHM RUEHNH  
DE RUEHGO #0331/01 1280841  
ZNY CCCCC ZZH  
O 070841Z MAY 08  
FM AMEMBASSY RANGOON  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7507  
INFO RUCNASE/ASEAN MEMBER COLLECTIVE  
RUEHBY/AMEMBASSY CANBERRA 1135  
RUEHBJ/AMEMBASSY BEIJING 1852  
RUEHKA/AMEMBASSY DHAKA 4860  
RUEHNE/AMEMBASSY NEW DELHI 4682  
RUEHUL/AMEMBASSY SEOUL 8223  
RUEHKO/AMEMBASSY TOKYO 5785  
RUEHCN/AMCONSUL CHENGDU 1454  
RUEHCHI/AMCONSUL CHIANG MAI 1558  
RUEHCI/AMCONSUL KOLKATA 0312  
RUEAIIA/CIA WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEKJCS/DIA WASHDC  
RUEHGV/USMISSION GENEVA 3654  
RHEHNSC/NSC WASHDC  
RUEKJCS/SECDEF WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
RUCNDT/USMISSION USUN NEW YORK 1540  
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000331

SIPDIS

STATE FOR EAP/MLS, S/ES-O-CMS, DS/CC AND DS/IP/EAP  
INR/EAP  
DEPT PASS TO USDA  
DEPT PASS TO USAID/OFDA  
PACOM FOR FPA  
TREASURY FOR OASIA, OFAC

E.O. 12958: DECL: 05/07/2018  
TAGS: [EAGR](#) [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [BM](#)  
SUBJECT: BURMA: CYCLONE DESTROYS RICE CROPS, PRICES  
INCREASING

REF: A. RANGOON 327

[1](#)B. RANGOON 323  
[1](#)C. RANGOON 285

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4  
(b and d)

[1](#)1. (C) Summary. Cyclone Nargis ripped through the Irrawaddy Delta on May 2, destroying both the newly-planted summer rice crops and the drop season crop awaiting harvest. Before the storm, Irrawaddy Division was one of Burma's main rice producing areas. The townships hardest hit by the storm - Pyapone, Bogalay, Labutta, and Kyaiklat - produced most of the rice sold in Rangoon. With these crops destroyed, rice millers predict that little to no rice will enter into Rangoon's markets, causing significant shortages and further driving up prices. Areas with rice surpluses - Pathein, Shwebo, and Mandalay - do not plan to ship the rice to Rangoon, as high transportation prices would cut into any profits. The GOB denies it has any stocks of rice, although sources confirm MEC and MEHL have an estimated 50,000 metric tons plus additional army rice reserves. Rice millers predict that the regime will not make this rice available to the needy. Traders confirm that Aye Yar Shwe Wa Company, owned by Aung Thet Mann and Tay Za, plans to export 50,000 metric tons of rice to Sri Lanka as soon as the port reopens.  
End Summary.

Little Rice in the Irrawaddy

12. (C) Cyclone Nargis devastated the Irrawaddy Division, one of Burma's largest rice producing areas, destroying villages, towns, and agricultural fields with its 120-miles per hour winds. Myo Thura Aye, owner of Shwe Thein Rice, Paddy, and Agricultural Products Trading Company, told us that the four main rice producing townships in Irrawaddy - Labutta, Kyaiklat, Pyapone, and Bogalay - were flooded by the storm; entire villages were swept away, people lost their families, and farmers lost both their newly-planted summer rice crops and the dry season crops awaiting harvest. Most people in the Irrawaddy Delta had little prior knowledge about the storm and thus did not make any storm preparations, he informed us. Several farmers in Chaila (Southern Irrawaddy Division) learned of the coming storm, extracted rice paddy, and sold it for below market prices to a rice miller so to not lose everything. This situation worked out better for those farmers, he noted, as the rice miller's factory and storage sheds were completely destroyed.

13. (C) The Ministry of Agriculture has yet to collect data on how much damage the storm inflicted on the Irrawaddy rice crops. One Ministry of Agriculture official told us that the Ministry would collect this data only after it assessed how much damage was done to government-owned buildings. Several Ministry of Agriculture officials acknowledged that the destruction of rice crops and rice seeds for next year's plantings could lead to dramatic food shortages and increased prices in Rangoon, which receives most of its rice from the Irrawaddy Division.

#### Prices Increasing Daily

14. (C) Myo Thura Aye denounced GOB claims that it has no

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stocks of rice, noting that the Myanmar Economic Cooperation (MEC) and Myanmar Economic Holdings Limited (MEHL) are holding on to 50,000 metric tons of rice (Ref A) and that the military has unknown reserves for the army. Instead of donating that rice to Burma's needy, the regime has requested that private rice traders, who have their own stocks of rice, donate their stocks instead. The government also ordered rice traders to keep the market price of rice low, which has not happened (Ref B). As of May 6, one bag of ehmata rice (25 percent broken rice) sold for 35,000 kyat (\$32.00) a bag (69 lbs), up from 24,000 kyat (\$22.00) one week ago - a 46 percent increase. Prices continue to rise in the market, as available stocks of rice dwindle down. Rice traders confirm that almost all of the superior quality rice in Rangoon has been sold, at an average of 50,000 kyats (\$46.00) a bag. Vendors are quickly selling out of ehmata and inferior rice, and many of Rangoon's larger markets have no stocks of rice.

15. (C) The rice millers and traders, who are currently setting the market rice prices, are benefiting from the rice gouging, Myo Thura Aye told us. However, not all of the traders are out to make a profit, and several large companies have followed the GOB's request to sell rice at low, reasonable prices. However, there is not enough rice in Rangoon to meet the increasing demand, and rice traders have begun to worry about looting and rioting, he said. Many rice shops in Rangoon remain closed, either because they did not have rice to sell or because they were afraid of being mobbed by hordes of hungry Burmese.

16. (C) Prior to the storm, there were excess rice stocks in several States and Divisions in Burma, including Sagaing Division and parts of Rakhine State. It is unlikely that these surplus stocks will come to Rangoon, Myo Thura Aye believed, noting that high transportation costs would cut into any profits. Additionally, traders in Mandalay and Shwebo have been able to sell their rice at extraordinarily high prices. Thus, there is no financial incentive to move rice down to Rangoon, he concluded. Other areas with surplus rice, such as Patheingyi (which was not hit by the storm), are

keeping it for future local consumption.

Still Planning to Export?

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17. (C) It is not clear what MEC and MEHL plan to do with their 50,000 metric tons of rice, although several rice traders predicted that they may try to export the rice when the port reopens. Aye Yar Shwe Wa Trading Company, owned by Aung Thet Mann and Tay Za, still plan to export the 50,000 metric tons promised to Sri Lanka (Ref C), Jaffer Hussain, owner of Universal Trading Company, informed us. Aye Yar Shwe Wa's warehouse at the port sustained only minimal damage and rice stocks were not damaged, he said. Myo Thura Aye indicated that the regime will continue its rice export plans. The Rice Miller Association is currently assessing the damage to its warehouse at Thilawa Port; the association had planned on exporting 1,848 metric tons of rice in May. Myo Thura Aye said that while some of this rice was damaged by rain, the Rice Miller Association still planned to export what it could.

Comment

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18. (C) Food shortages are apparent throughout Rangoon, with rice, cooking oil, and water in the highest demand. As the government restores supply lines and train service, shipments of fruits and vegetables from Northern Burma should make their way into Burma, alleviating some of the demand for food. However, rice is Burma's primary staple and the majority of Burmese eat rice with every meal. As rice stocks continue to dwindle, and internally displaced peoples from Irrawaddy Division make their way into Rangoon, there will be increased competition for what little rice is available.

19. (C) That the regime would proceed with rice exports to line their own pockets at this time offers further evidence that they have not grasped the full extent of the damage caused by Cyclone Nargis. It also helps to explain why they do not feel much need to open up to international humanitarian assistance.

VILLAROSA